

Message Text

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PAGE 01 KINGST 02461 171317Z

64

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 ISO-00 SP-03 AID-20

NSC-07 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15

INT-08 IGA-02 DRC-01 /215 W
----- 016968

R 162035Z JUL 74

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 5224

INFO AMEMBASSY GEORGETOWN

AMEMBASSY PORT OF SPAIN

AMEMBASSY SANTO DOMINGO

AMEMBASSY PORT AU PRINCE

AMEMBASSY BRASILIA

AMEMBASSY JAKARTA

AMEMBASSY ATHENS

AMCONSUL PARAMARIBO

AMEMBASSY CONAKRY

AMEMBASSY CANBERRA

AMEMBASSY BELGRADE

AMEMBASSY FREETOWN

C O N F I D E N T I A L KINGSTON 2461

E.O. 11652: GDS

TAGS: EMIN EFIN EIND US JM

SUBJ: ASSESSMENT OF INVESTMENT, TAXATION, AND EXPROPRIATION
TRENDS IN THE ALUMINUM/BAUXITE INDUSTRY

REF: STATE 145450

1. AS DEPT AWARE, EMBASSY HAS ALREADY REPORTED EXHAUSTIVELY ON
GOJ ATTITUDES, AS WE KNOW THEM, TOWARD THE BAUXITE/ALUMINA IND-
USTRY. HOWEVER, IN RESPNSE TO QUESTIONS POSED REFTEL THE FOLL-
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PAGE 02 KINGST 02461 171317Z

OWING COMMENTS MAY BE HELPFUL:

2. BOTH PM MANLEY AND FINMIN COORE HAVE REPEATEDLY MADE IT CLEAR THAT JAMAICA WANTS AND NEEDS THE BAUXITE/ALUMINA INDUSTRY, THE GOJ WOULD WELCOME ANY EXPANSION PLANS BY THE COMPANIES AND HOPES THEY WILL CONTINUE TO INVEST IN JAMAICA. THE ONLY EXPANSION PLANS WE ARE AWARE OF AT PRESENT ARE THOSE OF REVERE WITH JAPANESE PARTICIPATION. UNDER THE PRESENT CIRCUMSTANCES, IE THE FACT THAT THE NEGOTIATIONS STILL HAVE A LONG WAY TO GO, WE DO NOT ANTICIPATE THAT THE COMPANIES WILL ANNOUNCE ANY FURTHER PLANS FOR EXPANSION.

3. AS LONG AS THE SHORT TERM ECONOMIC PROSPECTS FOR THE BAUXITE/ALUMINA INDUSTRY ARE GOOD, IT IS OUR VIEW THAT THOSE COUNTRIES IN WHICH THE COMPANIES OPERATE ARE GOING TO EXPECT A LARGER SLICE OF THE PIE. THEY WILL TAKE THE ACTION NECESSARY TO OBTAIN THIS INCREASED RETURN, GIVING WORLD-WIDE INFLATIONARY PRESSURES AS THE REASON. SINCE THE OPEC COUNTRIES WERE SUCCESSFUL, OTHER PRODUCER COUNTRIES CAN BE EXPECTED TO TAKE COMPARABLE ACTION, PARTICULARLY IF THE INDUSTRY IN QUESTION HAS GOOD ECONOMIC PROSPECTS. THE OIL CRISIS HAS MADE THE NEED FOR FOREIGN EXCHANGE IN THE LDCS SO GREAT THAT MOST OF THEM WILL CONSIDER ONLY SHORT-TERM FACTORS AS OPPOSED TO CONSIDERATION OF ULTIMATE LONG-RANGE EFFECTS.

4. GIVEN THE ABOVE SITUATION, WHICH APPEARS TO BE THE CONTINUATION OF AN HISTORIC READJUSTMENT IN THE TERMS OF TRADE, THERE IS LITTLE THE USG CAN DO TO DISCOURAGE THESE COUNTRIES. ONE POSSIBILITY, HOWEVER, MIGHT BE A MORATORIUM ON THE ISSUANCE OF ANY NEW OPIC INSURANCE IN EXTRACTIVE INDUSTRIES. ANOTHER MIGHT BE TO POINT OUT THAT ACTION TAKEN THAT DAMAGES THE FUTURE PROFITABILITY OF THE INDUSTRY WILL AFFECT LONG RANGE PROSPECTS FOR FUTURE FOREIGN INVESTMENT IN THESE COUNTRIES. OBVIOUS US ACTIONS LIKE CURTAILMENT OF AID PROGRAMS OR THE DISCOURAGEMENT OF SOFT LOANS BY OTHER INTERNATIONAL LENDING INSTITUTIONS WILL SIMPLY STRENGTHEN THEIR DETERMINATION, TO THE DETRIMENT OF THE COMPANIES' INTEREST (AT LEAST IN JAMAICA), AND BE INTERPRETED AS ANOTHER INDICATION OF DEVELOPED COUNTRY "ECONOMIC IMPERIALISM." THE ABILITY OF THE COMPANIES TO REACT IN A CREATIVE AND FLEXIBLE WAY TO HOST COUNTRY DEMANDS FOR CHANGE IS PROBABLY THE BEST INSURANCE FOR THE FUTURE.

GERARD

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PAGE 03 KINGST 02461 171317Z

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